State of Wisconsin
Department of Health Services

Jim Doyle, Governor
Karen E. Timberlake, Secretary

Assembly Health Committee

Testimony of Secretary Karen E. Timberlake

Department of Health Services

February 10, 2010

Representative Richards, and members of the Assembly Health Committee, thank you for the opportunity to provide you with an overview of BadgerCare Plus Basic and how important it is to uninsured citizens in Wisconsin.

Wisconsin is a national leader in health care coverage for its citizens. Since Governor Doyle launched and the Legislature approved the BadgerCare Plus expansion in 2008 with a goal of providing access to affordable health insurance for all eligible children, the program has led to a dramatic increase in access to health care for Wisconsin citizens.

Wisconsin now has the second lowest uninsured rate in the nation, thanks to a combination of coverage expansions under BadgerCare Plus as well as a continuing, strong tradition in this state of employer-sponsored health insurance. The Governor's efforts to insure more children and make the program more accessible have been hugely successful, and they have proven to be an essential part of this state's response to the current national economic downturn.

With unemployment rates in Wisconsin doubling over the past year, more families in Wisconsin have become eligible for and are in need of safety net programs, like BadgerCare Plus, to help them get through these difficult times.

This increased demand has already been underscored by the overwhelming response for the new BadgerCare Plus Core Plan for very low income individuals without dependent children in their household. The Core Plan provides coverage for essential health care services to Wisconsin residents. It was designed for the long term uninsured, but many who signed up were those who lost their coverage when they lost their job.

As of October 9, 2009, we had to suspend the BadgerCare Plus Core Plan enrollment at 65,000 individuals due to the budget neutrality requirements of our federal waiver. Four months later 25,000 individuals have been added to the waiting list for the Core Plan and every week hundreds of new names are added.

This includes low income singles who haven't had insurance in years and empty-nesters who lost their jobs and their health insurance in the economic decline. These are hard working people who still can't afford health care. In fact, more than half of all individuals on the waiting list have incomes.

Many of these 25,000 people have medical conditions which prevent them from being eligible for other commercially available insurance products because they are by definition "pre-existing." Without coverage they may spend their life savings paying for their prescriptions and doctor visits. Some will stop taking their medication altogether and a treatable illness will get worse.

Some people on the waiting list may be perfectly healthy, but a serious injury or an appendicitis attack while they wait for coverage in the Core Plan could leave them bankrupt.

That is why we need a self funded, stop-gap program like BadgerCare Plus Basic -- a program that will cover the most basic health needs at no cost to state taxpayers.

BadgerCare Plus Basic will offer basic primary and preventive health care services. Benefits will include:

- Limited primary and preventive services – 10 physician visits
- Catastrophic coverage -- One inpatient stay and five non-emergency outpatient visits are covered before a $7,500 deductible kicks in
- Limited speech, occupational and physical therapy
- Limited emergency outpatient services
- Generic medications

Basic coverage will be funded entirely through monthly premiums of $130. These premiums, while small compared to people paying thousands each month, may represent a significant cost for someone who has no job and no income. However, it is a better option than risking everything you've worked your whole life for and ending up in bankruptcy.

Although we are accepting people based on income regardless of pre-existing conditions, the program is designed to be self-funded based on monthly premiums of $130 per person.

- The state's actuaries, Pricewaterhouse Coopers designed the monthly rate using an actuarially sound methodology which assumed that people who are signing up for BadgerCare Plus Basic haven't been to a doctor in over a year and would have higher health care needs.

- Under BadgerCare Plus Basic, health care providers will generally be reimbursed at Medicaid rates, as those eligible for Basic are on a waiting list for a Medicaid program.

- Statutory language allows the Department to adjust the premium levels and benefits to ensure that the program remains financially sound. If we need to modify the benefits or adjust the premium amounts, we will do so.

- The state received a grant from the United States Health Resources and Services Administration (HRSA) of $10 million per year over 5 years. This grant is intended to improve access to health care coverage and is being used to help fund the Core Benefit plan. We are setting aside $1 million dollars of this federal grant as a reserve fund for the Basic program. This is similar to the level of funds OCI requires plans to have as a safety net; however, we do not ultimately anticipate having to use these funds for Basic.

There are other options available for people of modest means who don't have access to employer sponsored health insurance.

- If they are under age 27, Wisconsin law now allows them to stay on their parents' insurance.

- If they meet the requirements and have, on average, $466 per month, HIRSP may be an option for them.

- If they don't have any health conditions for which they have sought medication or treatment, like asthma, diabetes, or high blood pressure they may be able to find a plan on the individual market.

As part of offering people a chance to enroll in BadgerCare Plus Basic, we will advise people of these options and encourage them to investigate the choices available to them.

However, it is important to understand that, with the exception of the new law extending dependent coverage to those under 27, these options have existed in Wisconsin for years. The reality is that for 65,000 people on the Core Plan today, and likely for many of the 25,000 people on the waiting list, these options are unaffordable or otherwise unavailable to them.

For so many people in this state struggling to get their feet under them in the wake of the national economic decline, programs like Basic and Core and BadgerCare Plus are merely bridges to better options. People like Tony and Pamela Camera of Genoa City – who appeared at the State of the State Address.

They worked their whole lives, had a comfortable life and then suddenly were out of work through no fault of their own and faced with a very scary proposition. They did not qualify for BadgerCare Plus because they did not have dependent children, but they desperately needed health care coverage to treat Tony's diabetes. Luckily for them they were able to enroll in the Core Plan. They never viewed BadgerCare Plus as their long term solution. As soon as Pamela found a full time job with benefits they made sure that someone else was able to take their spot in the Core program.

There are a lot of Tony and Pamela's out there. As I said earlier, more than 50% of the people that would be covered by Basic have jobs. They're not unemployed – they're underemployed. They don't want to be on a BadgerCare Plus plan but they need that basic level of coverage so that if they get sick or injured they don't lose everything.

That is why BadgerCare Plus Basic is so important. It's not just about access to health care. It's about protecting the assets that the people of this state have worked their lives to build. More than half of all bankruptcies in this country are due to medical expenses. BadgerCare Plus Basic will help thousands of people who are eligible for the Core Plan maintain their health and guard against financial ruin until they secure a spot in the Core Plan or a better job that offers health insurance. We can provide this measure of security at no additional cost to taxpayers, and we should do so.

WISCONSIN HOSPITAL ASSOCIATION, INC.

February 10, 2010

TO: Assembly Committee on Health and Health Care Reform

FROM: Eric Borgerding, Executive Vice President

SUBJECT: Requested Changes to AB 697 – BadgerCare Basic

Wisconsin has a laudable record of providing health insurance coverage for its citizens. Through a combination of employer-sponsored coverage, the privatized HIRSP program and government safety-net programs, Wisconsin has the second highest percentage of insured residents in the country and, according to DHS, 98% of Wisconsin residents have access to coverage.

Wisconsin's hospitals have played a key role in helping achieve this status. It was funding from the Disproportionate Share Hospital program that started BadgerCare Core (Core) and funding from the hospital assessment that allowed expansion of Core beyond Milwaukee to the rest of the state. Enacted with bipartisan support, Core was intended to address a fraying strand in the health care safety net – providing coverage to low-income, chronically uninsured adults with no children. Hospital charity care programs and updated billing and collection guidelines have also been instrumental in helping those who fall through the cracks.

At the same time, Wisconsin's hospitals and hospital systems continue providing some of the highest quality care in the country. In 2009, the federal Agency for Healthcare Research and Quality (AHRQ) ranked Wisconsin #1 in health care quality. In 2008, AHRQ ranked Wisconsin second best in the country, down from #1 in 2007.

Amid this relatively good news, Wisconsin has experienced a steady decline in the number of employers offering coverage, particularly small businesses that cannot afford to "self-insure." The number of people who obtain their coverage through government programs, principally variations of Medicaid via BadgerCare and its expanding forms is also increasing. This trend was emerging prior to the recent economic downturn and has become more acute as the economy continues to struggle.

For various reasons, Core enrollment rapidly outpaced projections. When DHS began enrolling people in Core just over one year ago, the first year average monthly enrollment was estimated at 29,400. Today, enrollment is maxed out at 63,544 people – a nearly 160% increase in just 12 months and already 24,000 more than enrollment projected for FY11.

Clearly, Core has become much larger than originally predicted or intended. This is good news for those who would otherwise have no coverage or those who truly have no other options. Nevertheless, Core's rapid growth should serve as a caution as the state moves quickly to create BadgerCare Basic (Basic), which already has in excess of 21,000 potential enrollees, a number that is sure to grow.

We commend the Governor for continuing to seek innovative means of extending health coverage to the uninsured, especially to those who would otherwise have no (or no better) options. WHA supports a balanced public/private approach to expanding coverage. **We believe Basic can complement this approach, but it must be designed and implemented as a temporary safety net for those who genuinely have no alternatives. This**

5510 Research Park Drive P.O. Box 259038 Madison, WI 53725-9038 P (608.274.1820) F (608.274.8554) wha.org

can only be accomplished if the program is tightly managed and designed. However, AB 697 lacks key details and leaves too many important decisions outside the purview of the Legislature.

We have met on multiple occasions with DHS staff to learn more about Basic and share our thoughts, concerns and suggestions. Some of those are summarized below.

Key Program Details Not in Legislation and No Administrative Rules

Materials distributed by DHS outline the intended design and implementation of Basic, including eligibility, covered benefits, premiums and provider payment. However, these and other important pieces of Basic are addressed inadequately, or not at all, in the enabling legislation. Unlike Core, there are no federal regulatory or waiver requirements for Basic. Crucial aspects of its implementation, including increases in premiums and co-pays, expansion or reduction of covered services, reductions in provider payment (the bill does cap provider payment for service Medicaid rates), are delegated to DHS.

Typically, legislation of this nature is accompanied by administrative rules that flesh-out key details and are informed through public input. AB 697 expressly relieves the state from having to develop administrative rules for Basic, including for important elements such as benefit design, cost sharing and program administration. A change by DHS, now or in the future, to any of these elements could trigger significant adjustments to the other parts program, including enrollee premiums and provider payments. These are decisions that should be made with public and legislative input.

> **Requested Action:** *Amend AB 697 to require key aspects of Basic be included in statue and/or clarified through administrative rule.*

Eligibility and Enrollment

According to program materials, eligibility for Basic is limited to those deemed eligible for Core. However, AB 697 does not require the state to verify that Basic enrollees qualify for Core. Core eligibility will not be verified until a slot opens in the Core program, however long that takes. Until then, eligibility is self-verified; meaning just about anyone can enroll and remain in Basic for as long as it takes a spot to open in Core. The impact this could have on the number of people enrolled in Basic and the "crowd out" of employer-sponsored health insurance and cost shifting is potentially enormous.

> **Requested Action**: *Amend AB 697 to require eligibility verification at the time a person applies for Basic and at regular intervals while enrolled in Basic.*

Preserving the Safety Net for Those in Greatest Need

As stated above, access to both Core and Basic should be tightly defined, monitored and reserved for those who truly have no affordable options. However, affordable options with better benefits do exist for many of those who would otherwise be eligible for Basic.

For example, nearly half of those on the Core waiting list (and thus eligible for Basic) are 30 years old or younger. Many affordable (roughly $130/mo.) options with better benefits than Basic are available to people in this age group, including those with pre-existing health conditions.

A few of the alternatives include:

- Affordable coverage in the individual market
- Coverage under a parent's insurance (WI law now requires family coverage to include children up to age 27)
- Subsidized COBRA coverage
- Subsidized HIRSP coverage for those with chronic illnesses/pre-existing conditions

Other health care programs, such as HIRSP, require applicants to attempt to obtain coverage through other means before being accepted. Implementing similar criteria for Basic could reduce the number of people on the Core waiting list, preserve slots in the (now capped) Core program for those who truly have no alternatives, and give a potentially large segment of the Basic-eligible population a superior package of covered services for their premium dollar.

> **Requested Action:** *Amend AB 697 to require applicants to pursue other coverage options before being accepted into Basic.*

Alternatively, the state could bid out coverage for this population, but on a level playing field. AB 697 exempts Basic from numerous insurance regulations, including mandated benefits and consumer protections. Even with these regulations, we know that affordable options exist in the commercial market for segments of the Core waiting list. If commercial insurers were granted the same exemptions from these regulations as Basic, even more affordable alternatives may emerge.

> **Requested Action:** *Amend AB 697 to require DHS to seek bids from commercial insurers to either cover or provide options for those on the Core waiting list. Also, amend state insurance laws so that commercial insurers could offer the same scaled-down package of benefits in their bids for the Basic plan only.*

Provider Payment and Access

AB 697 specifies that Basic will pay providers *no more* than Medicaid rates. This means payments at levels now well below cost, and that already deter provider participation in Medicaid, will be the ceiling for Basic. In the likely event that program costs exceed the $130/mo. premium, the most likely cost saving measure will be cutting provider payments.

Coverage does not equal access. Reducing payment rates with no notice to or input from providers will deter many providers from participating in Basic and leave many enrollees with "insurance" coverage but limited access to care.

> **Requested Action:** *Amend AB 697 to require provider payment rates to be set in administrative rule.*

KATHLEEN VINEHOUT
STATE SENATOR

Testimony on AB 697
Assembly Committee on Health and Healthcare Reform
Wednesday, February 10, 2010

When I think about health care reform, three things come to mind.

We need to figure out how to bring down costs, get as many people in as large a pool as possible and figure out how to pay for it.

We've got to be able to handle risk in a way that folks can't avoid it; incentives that don't drive costs up; and make sure care is provided to everyone.

Spreading the risk and spreading the cost means putting people in as big a pool as possible.

We haven't figured out how to spread the risk. We haven't figured out how to allocate the costs and we haven't figured out how to change the incentives.

The way we allocate risk now results in 500,000 people uninsured in Wisconsin. The way we allocate costs is to attach the cost to jobs. We hurt small businesses because they don't have a big pool.

We've managed to expand coverage but we've expanding it by adding more people to public programs and paying lower costs to providers.

And as we add more costs to state programs, our actual state revenue dollars are shrinking.

Medicaid is the fastest growing part of our state budget, takes up 20% of all fund the state spends. Medicaid provides care to one in five of our state residents and has grown by nearly a billion dollars or 20% in just one year (just for comparison the Governor's Association estimates nation-wide average state growth of 8%).

Badger Basic, continues everything that's wrong with our current health care system:

Instead of creating a larger pool, it creates a smaller one, perhaps as small as 5000 people, sick people of low income.

Because the state doesn't have any extra revenue, the plan is supposed to be paid for with premiums. But with 50% of the potential population without income, so it's hard to set a premium low enough that covers costs.

State Capitol • P.O. Box 7882 • Madison, WI 53707-7882 • Office: (608) 266-8546 • Fax: (608) 267-2871
Toll Free: (877) 763-6636 • Sen.Vinehout@legis.wisconsin.gov

The plan designers decided to remedy this by paying providers Medicaid rates – or less if you are a hospital (increasing the costs shifting problem), by limiting the number of visits, by creating a doughnut hole deductible of $7,500 after one hospital visit and by charging – for this low income population – very high co-payments.

All of this will serve to limit those who actually sign up, to people who are sick and already paying high costs out of pocket; an adverse selection nightmare.

Badger Basic puts the risk on the state and taxpayers – who already can't afford the recent expansions of Medicaid. Just to share a few figures - according to the Legislative Fiscal Bureau, the cost overruns for BadgerCare Plus are already estimated at $100 million to $125 million GPR.

Badger Basic was created because of the cost overruns in Badger Core plan – overruns estimated at $20 million to $25 million GPR.

The state Medicaid program is looking to find over $600 million in savings – roughly a third of that is in one time savings or delays in payment – that is pushing off to the next budget. All these problems are in THIS BUDGET.

Lest we forget that we play with people's lives in our business, with this plan we create expectations for the poorest of people and then we deliver a plan with mediocre coverage for too much money.

It creates harsh rules on those who are unable to pay a month's premium by not allowing the person back in the plan for 12 months and skirts all of the regulations we have on insurance companies – including those related to appeals.

The plan is seriously under capitalized and DHS – an agency not directed to regulate insurance – is charged with determining its fiscal soundness.

Like a small business with a few sick patients, adverse selection will drive up costs of the plan. With no financial reserves, the plan will quickly run into financial problems. The department attempts to resolve this problem by shifting $1 million of an annual $10 million federal grant which is intended to pay for services provided under the Badger Core plan. Of course, this creates problems in the already underfunded CORE program.

Solving the health care problem by adding people to our public system without addressing the reasons for rising costs, without further spreading the risk or without aligning incentives is simply unsustainable.

This problem is solvable.

Congress may have taken a temporary pause from marching forward on health care reform. But, I believe, federal health care reform will happen. And happen soon.

But Wisconsin has an opportunity to take federal reform a few steps further.

- Create a **small business exchange** that would serve as a 'one stop shop' for small business to purchase health insurance.

- Direct **OCI to create the exchange** minimizing market disturbances and winners and losers. Every small business buying health insurance in Wisconsin would buy insurance through the exchange. Every plan competing would be vetted on cost and quality.

- Create a **public employees exchange** for all public employees – school districts, local government and state employees.

- Direct **ETF to create the exchange** while respecting existing union contacts and constitutional concerns and allow every unit of local government to purchase health insurance just like state employees do now.

- Create a **one stop shop website** patterned after the successful ACCESS.GOV website.

- Direct DHS to create a **cascading eligibility check** so any one coming to the website would be directed toward the proper program best suiting their needs, including COBRA, HIRSP and various Medicaid programs.

- Create an **affordable option through HIRSP** for those trying to find health insurance as **individuals** or self employed persons including farmers. The passage of federal health care reform brings $5 billion into the state high risk pools 90 days after enacting the legislation. This provides us an opportunity to expand coverage to those most in need without adding to the state's already overburdened Medicaid system.

- Finally, **create advocacy organizations** across the state to assist people through the maze of options.

The health care system of the future will continue to be a mix of public and private payers, but neither the public nor the private systems can sustain the current increases in costs. To change the cost dynamic – or bend the costs curve – we must realign incentives.

We can do this through the effective use of managed competition. We have seen this work in our current state employee system and in other examples across the country.

As difficult as it is, we must acknowledge we cannot continue to expand public coverage without addressing increasing public costs and we cannot continue to cost shift and ever expect we are going to bring down costs to business, especially small businesses.

I would be glad to meet with any of the committee members individually to discuss these ideas and would welcome the assistance of any or all the members in helping the state prepare for what – I believe – will be a turning point in way we pay for and deliver health care in Wisconsin.

WCA | **Wisconsin Chiropractic Association**
521 E. Washington Avenue
Madison, WI 53703
Tel. (608) 256-7023 I Fax (608) 256-7123

February 5, 2010

To: All Wisconsin Legislators
From: Russ Leonard, Executive Director
Tom Moore, Lobbyist

Re: Agreement on BadgerCare Plus Basic

The State of Wisconsin's Department of Health Services (DHS) has agreed to add chiropractic services to their proposed BadgerCare Plus Basic health plan.

We are very appreciative of the concerns expressed by legislators and their staffs on the unfairness of discriminating against chiropractic services in this plan. Because DHS has now agreed to allow patients access to chiropractic services in the same manner as physician services, the WCA is now supportive of this bill.

We have, of course, requested that our members and their patients stop communicating with you on this issue. We thank you for your patience and appreciate the resources necessary to respond to our communication efforts.

WPHCA
Wisconsin Primary Health Care Association

Assembly Health & Health Care Reform Committee
Testimony In Support Of AB697
February 10, 201

Good morning Chairman Richards and members of the committee. I'm Tom Petri, Director of Policy and Communications for the Wisconsin Primary Health Care Association. We're the Madison-based group that represents and promotes the work being done inside the state's 17 Community Health Centers.

I testify today in favor of passage of AB 697. As a starting point, it's important to note that over 150,000 of the state's Medicaid (Badger Care) clientele sought out at least one primary medical, dental or behavioral health care service from one of our Community Health Centers last year. The presence of CHCs, currently with 70 sites across the state, has been and will continue to be, crucial to the ability of our Badger Care enrollees to receive the care they need.

WPHCA believes the Administration has made the right decision to not seek any additional state dollars, thereby acknowledging that Core Plan enrollee participation into the Badger Care Basic benefit plan will allow it to either sink or swim. At the same time we applaud the Administration and the legislative authors for properly assessing the realities of the state's fiscal situation, we applaud them mightily for again seeking to assist our low-income childless adults who do not have insurance coverage, but are seeking it, and are interested in paying for it.

The lingering state and national economic doldrums, coupled with higher-than-expected levels of enrollment have certainly led to higher costs and consternation among many legislators. However, Community Health Centers believe that this legislature's 2008 and 2009 efforts to extend health insurance coverage opportunities, not contract them or cut them, but extend them to as many of our most-vulnerable, most-underserved and chronically-uninsured citizens will one day be remembered as a historic and remarkable achievement.

Our benefit specialists will certainly advise patients who are on the Core Plan waiting list of the BadgerCare Basic choice available to them. Many of the 64,000 Core enrollees are CHC patients. Health Centers are hopeful that many of our patients can take advantage of the Basic Plan, though it's not likely because many of our patients are those inside the lowest income brackets, and they will not able to budget for the monthly premium expense.

As an association WPHCA is most interested in making sure that those patients who do enroll in Basic understand the plan's limitations, and are able to get their money's worth of health care services. As others do, we see two potential target populations for this type the coverage: Qualified, low-income people interested in a catastrophic "bridge" plan in case of a serious health care situation, and those on the Core waiting list who are hoping to connect to fuller coverage through the Core Plan down the road.

In closing, just a reminder to committee members that all 17 CHCs are proudly included in the state's publicized network of primary care providers available to those WITHOUT insurance. Regardless of the ultimate fate of this legislative effort, we will continue our work to assure to help the uninsured receive the primary medical, dental and behavioral health care that they need.

4600 American Parkway, Suite 204, Madison, WI 53718 • Phone 608-277-7477 • Fax 608-277-7474
E-Mail: wphca@wphca.org • Website: www.wphca.org

4600 American Parkway Suite 208
Madison, WI 53718
(608) 268-0200 www.ewahu.org

COVERING THE UNINSURED
MOVING BEYOND MEDICAID
Position Statement – January 2010

The goals of Medicaid and BadgerCare are ones that WAHU fully supports – helping people afford health care and health care coverage. However, we believe the existing Medicaid and BadgerCare programs are fraught with problems.

Inaccessible Health Care – It is no longer a case of anecdotal evidence. People on Medicaid often have a difficult time finding providers willing to accept Medicaid rates and therefore unwilling to provide service. We just saw this with the Mayo Clinic in Arizona. Even among those willing to accept these patients, we are seeing the wait times are longer than those with private sector healthcare.

Insufficient Provider Reimbursements Lead to Cost Shifting - With Medicaid reimbursement rates at roughly 40 cents on the dollar, providers must cost shift this shortfall to the private sector. Each time rates go up in the private sector, more people become uninsured. An expansion of Medicaid and BadgerCare simply exacerbates the vicious circle of cost shifting to the private sector, and more potential for increasing the uninsured population.

Private Sector Crowd Out – Efforts to try and keep employees covered under their employers group plan (where their employer pays a portion of the premium) rather than have the state accept full financial responsibility within BadgerCare have failed. Crowd out is a reality of the system. The state is literally subsidizing millions of dollars that might otherwise be paid for by employers willing to contribute to their employees' health insurance.

Incentive to Remain Eligible for Medicaid and BadgerCare – Based on the structure of these programs, there is a perverse incentive for enrollees to remain at lower income levels just in order to qualify for health coverage through the state.

Poor Customer Service and Confusing to Enrollees - In a review of our current Medicaid and BadgerCare programs, it was determined that there were thousands of uninsured who actually qualified for these programs but never signed up for them. It was determined that part of the problem was that it was difficult and confusing for individuals to enroll and even more difficult to find someone to help them determine if they qualified and what their options were. By having to deal with a nameless and faceless 800 number; the end result is many simply go without coverage.

There is a better solution: Use The Existing Private Market to Cover the Uninsured

Health Coverage Accounts (HCA) – The goal of Medicaid is to help individuals afford health care. However, because of the faults within the system described above, we must continue to help these individuals afford health care by providing financial assistance to afford health care coverage. In addition, while the goal of BadgerCare is to help the working poor afford health care coverage until they no longer need the help, because of the faults described above, we must help these individuals afford health care coverage in the private market. For the majority of Medicaid and BadgerCare eligible, the state should create Health Coverage Accounts (HCA); which is an individual financial account for the recipient of Medicaid and BadgerCare. The purpose of these accounts is to help Medicaid and BadgerCare recipients afford basic health care coverage.

Private Market Health Care Coverage – If Medicaid and BadgerCare recipients could purchase their health care coverage through the private market, it would solve nearly all of the problems associated with these programs. It would completely eliminate Private Market Crowd Out, Insufficient Provider Reimbursements (thereby eliminating cost shifting to the private sector), and would offer these recipients the same superior, world-class health care afforded those in the private sector. It is likely that we will see federal health care reform and likely much of the responsibility will be placed on states to find ways to cover the uninsured. The State should submit a waiver request to the Department of Health and Human Services so that existing and future Medicaid matching dollars from the federal government could be used to fund a recipients HCA, and then to allow these individuals to use their HCA to purchase health care coverage in the private market. For those that are working and are offered coverage through their employer, these funds could be used for the employee's portion of their premium contribution to an employer sponsored plan. For those not eligible for an employer sponsored health insurance plan, the dollars in the HCA could be used to purchase an individual health insurance policy from the private market. In addition, the state should set up a cost sharing arrangement with these recipients that is based upon family income. A sliding scale should be implemented that helps finance health care coverage for those at certain percentages of the federal poverty level.

Public/Private Partnerships – So how is someone who is currently uninsured able to determine what programs they qualify for, and which plan is best for them? The answer is from the same resources the private sector uses to make such decisions - an insurance advisor. Washington has suggested we need "Exchanges" or "Connectors". The fact is, we have an entire cost effective system in place today to "connect" people with the right health care coverage. Wisconsin has thousands of licensed, regulated and educated insurance agents who have access to every insurance company offering coverage in Wisconsin. A Public/Private Partnership should be implemented between the state and the not for profit insurance agent associations, such as the Wisconsin Association of Health Underwriters (WAHU) and National Association of Insurance and Financial Advisors (NAIFA). These associations would be responsible for training insurance agents in this new program and would make available the list of insurance advisors who have agreed to help this population of people find coverage in the private market using the Health Coverage Accounts. The advisor would be in the field and would be a face the recipient could see and talk to, rather than a state worker on a telephone. The advisor would help the individual determine what options were best suited for them. If using the HCA in the employer sponsored plan made sense, then the agent would complete the necessary paper work on behalf of the recipient so the money in their HCA could be sent to the employer's insurance company. If the recipient had no option of an employer plan, then the agent would find the best coverage available for that specific individual in the private market, filling out the necessary paper work to have the HCA dollars be sent to the insurer of choice.

Wisconsin Association of Health Plans

TO: Members, Assembly Committee on Health and Healthcare Reform

DATE: February 10, 2010

RE: Assembly Bill 697, the BadgerCare Plus Basic Plan

The Wisconsin Association of Health Plans appreciates the Department of Health Services' (DHS) efforts to help those without coverage as a result of the recent economic downturn. As participants in both the commercial health insurance market and the BadgerCare Plus Program, Association-member health plans have an interest in the impact of legislation on both market segments. Therefore, before Committee members act to help the targeted population, we encourage consideration of the following questions regarding DHS' proposed solution, the BadgerCare Plus Basic Plan:

- On top of the $633 million Medicaid budget shortfall, which prompted last year's Medicaid Rate Reform Initiative, the Legislative Fiscal Bureau reports that DHS is facing an additional $120 million to $150 million shortfall in the BadgerCare Plus and BadgerCare Plus Core Plan programs. Given the current budgetary overruns, does it make sense to put additional pressure on the state's Medicaid resources by implementing a new program with potentially significant financial risk?

- Current Medicaid programs present administrative challenges for DHS, especially given the limited staff resources of the Department. Does DHS have the additional administrative capacity to properly manage a fee-for-service insurance program and ensure that premiums are being collected, claims are being processed, and providers are being reimbursed?

- Lack of access to certain health care services is already a challenge for many Medicaid enrollees throughout the state, especially in rural areas. Given that provider participation is voluntary under the Basic Plan, how can DHS ensure Basic Plan enrollees will have adequate access to health care? The service expectations of this population will be higher as they start paying $130 per month for coverage.

- Why would individuals who have access to other types of insurance coverage (subsidized continuation coverage or COBRA, subsidized HIRSP, individual short-term coverage, etc.) choose to enroll in a program that costs about the same amount—possibly more—but provides inferior coverage?

- For an individual making $21,000 per year ($1,750 per month) or less, $130 per month for coverage is expensive. How does DHS plan to minimize adverse selection in the Basic Plan, where only people with the greatest need for care enroll, thereby putting heavy cost pressures on the program and forcing state officials to increase the monthly premiums, decrease provider reimbursements, or subsidize the program with other funding sources?

From the health plan industry's perspective, the Basic Plan proposal reinforces the argument that, in health insurance, one size does not fit all. The legislative and regulatory requirements in the commercially insured market increase costs and prevent thousands from obtaining affordable health insurance.

Extending the principles of the Basic Plan to the commercial insurance market—allowing flexibility in the design of benefit plans without all the state-mandated benefits, for example—would likely increase the number of employers and individuals who can afford health insurance, reduce the number of uninsured Wisconsin residents, and lessen the burden on the deficit-ridden Medicaid safety net.

10 East Doty Street • Suite 503 • Madison, WI 53703
608-255-8599 • Fax 608-255-8627 • www.wihealthplans.org